

Kate Klernan
Senior Counsel, State Relations

Testimony of the American Council of Life Insurers
Before the Insurance and Real Estate Committee
Thursday, February 3, 2011

Senate Bill 15- An Act Requiring Public Comment for Long-Term Care Policy Rate Filings

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the American Council of Life Insurers appreciates the opportunity to offer the following comments in opposition to Senate Bill 15- An Act Requiring Public Comment for Long-Term Care Policy Rate Filings.

The requirements of Senate Bill 15 do not further any consumer protection public policy initiative and simply increases cost for insurance companies offering long-term care products to Connecticut consumers. While we appreciate the legislators' concerns and are sensitive to the impact that rate increase filing requests have on consumers, we do not agree that the symposium process will benefit long-term care policyholders. In the end, this legislation may simply result in fewer long-term policies being sold in the state. This outcome would be bad for both consumers and insurers.

Currently, the Connecticut Insurance Department is responsible for the review of rate increase filing requests. Department staff assigned to review filings has the requisite actuarial expertise to handle the analysis regarding whether a rate increase is justified and what level is justifiable. Rate filings provide actuarial documentation supporting the need for the increase and comply with statutory requirements for such filings. Some of the information that has to be considered includes claims (often both incidence and continuance), voluntary lapse rates, mortality rates, and investment earnings both on an anticipated and actual basis. Credibility of experience also has to be considered. The review process often involves a dialogue between the Insurance Department and the insurance company - the department may question an assumption or it may seek additional supporting documentation. On both sides of the dialogue, it is the actuarial experts that are involved.

Because some of the components of the filing include competitive data, such as level of reserves, these components may be treated as trade secrets and would be subject to confidentiality. The proposed symposium process would open these components to all third parties including other insurance companies, thereby threatening the confidentiality that is required for competitive and anti-trust reasons.

The average policyholder's understanding of actuarial principles and all of the data elements and calculations involved is limited, so an informed "dialogue" would be difficult. Given the option, no policyholder would attend a symposium and speak favorably of a rate increase. The opinions of those who would attend a symposium would be biased and based more on politicizing of the rate increase rather than an objective analysis. Therefore we do not believe that a symposium would further the goal of a meaningful, appropriate, and productive review of a rate filing.

With regard specifically to group long-term care filings, the requested rate increases are often based on the Group Policyholder's/Employer's claims experience. A symposium questioning data supporting a request for a rate increase for a specific employer group would not be productive.

We believe that the Insurance Department has done an excellent job in balancing the needs of the companies and consumers, and that each rate increase filing request is handled with due diligence. We do not see the need to have a symposium process to second guess the regulatory process. If the Insurance Department believes that it needs additional resources, we would support the outsourcing of the filings to actuarial consultants with the cost charged to the companies. If you are truly seeking an improved process, then this would be a better solution than a symposium.

Subjecting a rate increase review process to public symposiums would appear to shift the due diligence responsibility away from the regulatory experts at the Insurance Department and lead to the politicizing of rate filings. This type of legislation creates a negative business climate in the State of Connecticut.

Thank you for considering our position in opposition to SB 15 regarding restrictions on long-term care rate filings. Please contact Kate Kiernan at 202-624-2463 with questions.

ACLI is a trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. There are 242 ACLI member companies licensed to do business in Connecticut, accounting for 91 percent of the ordinary life insurance in force in the state.